

## Memorandum

**To:** City Council  
**From:** Trish Heinonen, Planning Manager  
**Date:** July 1, 2015  
**Re:** Guidance Document for Affordable/Workforce Housing Discussion

As part of the 2014 Affordable/Workforce Housing adopted goal (right), the Council requested a workshop to discuss Issaquah's current affordable/workforce (affordable) housing status and to provide guidance for the Housing Implementation Strategy, which is to be developed in 2016.

To make sure that we have a productive discussion at the July 13 work session, please read the attached background information.

### Exhibit A. Affordable Housing: The Regional Picture

This is a glance at East King County and its current status, how affordable housing affects families and how it affects the economy.

Issaquah 2014 City Goal			
<b>Title:</b> <b>Affordable/Workforce Housing</b>			
<b>Description:</b> Increase the quantity of affordable housing units and workforce housing units, and the variety of housing options, in the City to create a balanced community. The first steps in this process are to update the Comprehensive Plan and create an affordable/workforce housing report card that is reviewed annually.			
<b>Participating Departments:</b> <ul style="list-style-type: none"> <li>Lead: Development Services Department</li> </ul>			
<b>Council Committee:</b> <ul style="list-style-type: none"> <li>Services and Safety</li> </ul>			
<b>Action items/Timeline:</b>			
	2015	2016	2017
Proposed amendments to the Housing Element, as part of the Periodic Update of the Comprehensive Plan, were reviewed by Planning Policy Commission (PPC) at a public hearing on March 5, 2015.	X		
ARCH (A Regional Coalition for Housing) drafted the majority of the updated element, using recent data and information. The proposed Housing Element was reviewed by the Human Services Commission and PPC several times before the March 5 Public Hearing. The Comprehensive Plan is undergoing Council review (AB 6955) and Council is scheduled to take action on June 15, 2015.			
A Council Work Session on Affordable Housing is scheduled for July 13, 2015. The agenda will include the Affordable Housing Report Card as well as strategies for the Housing Implementation Strategy (previously called Housing Strategy Plan) presented by ARCH and DSD staff.		X	
Review the Affordable/Workforce Housing Report Card annually.			X
<b>Estimated cost:</b> <ul style="list-style-type: none"> <li>2015:</li> <li>Staff time:</li> </ul>			

**Exhibit B: Issaquah's Affordable Housing Report Card**

This document reports on how many affordable housing units we have, how we are doing relative to our target share and where these units are located.

**Exhibit C: Council Assignment: The Affordable Housing Vision**

Each councilmember is being asked to formulate his or her vision for affordable housing in Issaquah. These visions will be shared briefly on July 13<sup>th</sup> and will be used to guide the development of the Housing Implementation Strategy.

**Exhibit D: Public Comment Letter**

Attached is a comment letter from the Wagner Management Corporation, a local developer interested in developing affordable housing in downtown Issaquah. The Wagners desire that this letter be provided to Council and they desire to make a public comment at the meeting.

**POLICY QUESTIONS FOR COUNCIL TO ADDRESS AT THE WORK SESSION****1) What is the Affordable Housing Vision?**

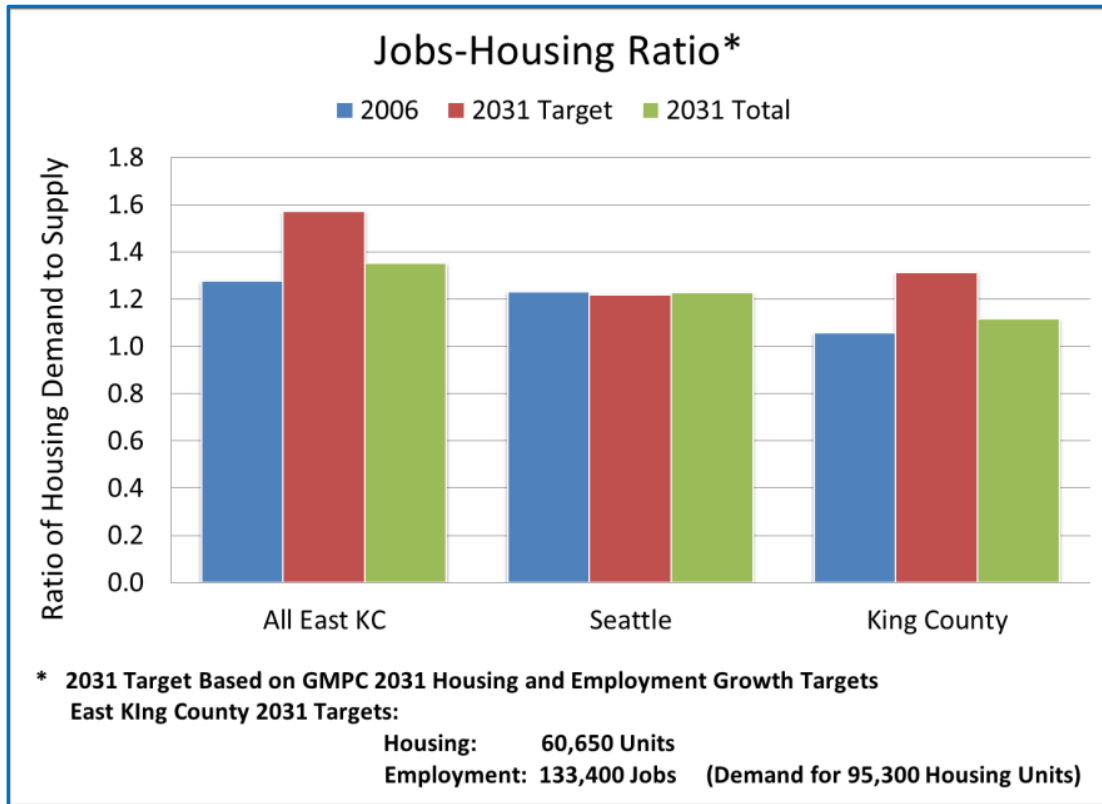
Each councilmember will be asked to discuss briefly his/her vision for affordable housing in Issaquah.

**2) Direct the Administration to prepare an Agenda Bill recommending Next Steps**

- ☐ Topics to pursue as soon as possible
- ☐ Topics to include in Housing Implementation Strategy
- ☐ Schedule Update and Review Report Card (2016)
- ☐ What Else?

## AFFORDABLE HOUSING: THE REGIONAL PICTURE

Over the last 30 years East King County has gone from a surplus of housing relative to demand for local jobs ('Jobs-Housing' ratio of well below 1.0) to a shortage of housing relative to demand for local jobs (ratio well above 1.0).



EKC has a low proportion of overall housing supply affordable to low and very low income households (7%) relative to both need (24%) and compared to countywide figures (15%). In terms of creating affordable housing, cumulatively, EKC cities have achieved just over 21% of their low income housing goal and 74% of their moderate income goal, as shown in the table below.

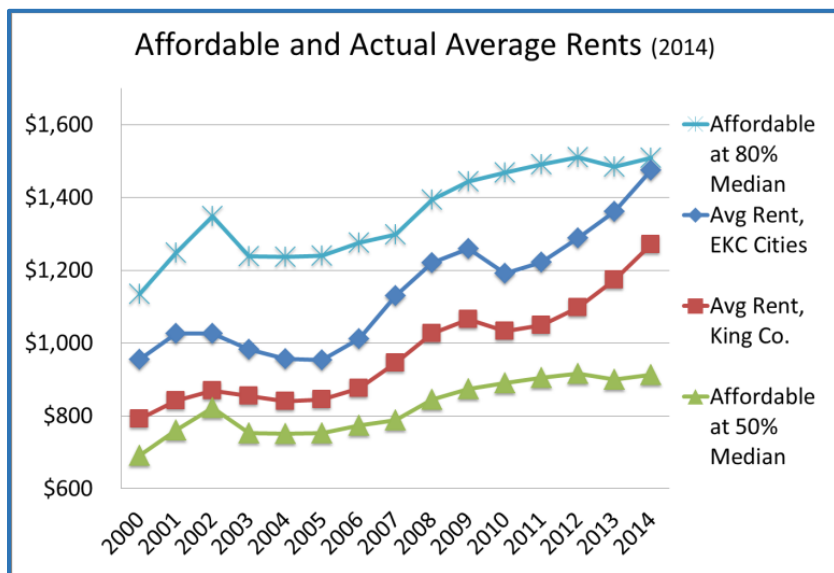
### CREATION OF AFFORDABLE HOUSING 1993-2012

#### East King County

	Low Income (Up to 50% Median Income)					Moderate Income (50% - 80% Median Income)				
	Direct Assistance	Incentives	Market	Sub-Total	% of Goal	Direct Assistance	Incentives	Market	Sub-Total	% of Goal
1993-2002	1393	0	51	1444	14%	1065	712	1758	3535	48%
2003-2012	712	10	0	722	7%	265	604	1024	1893	26%
1993-2012	2,105	10	51	2,166	21%	1,330	1,316	2,782	5,428	74%
<b>1992 - 2012 Affordable housing Goals</b>										
	20 Year Goal									
Low Income	10,300									
Moderate Income	7,300									

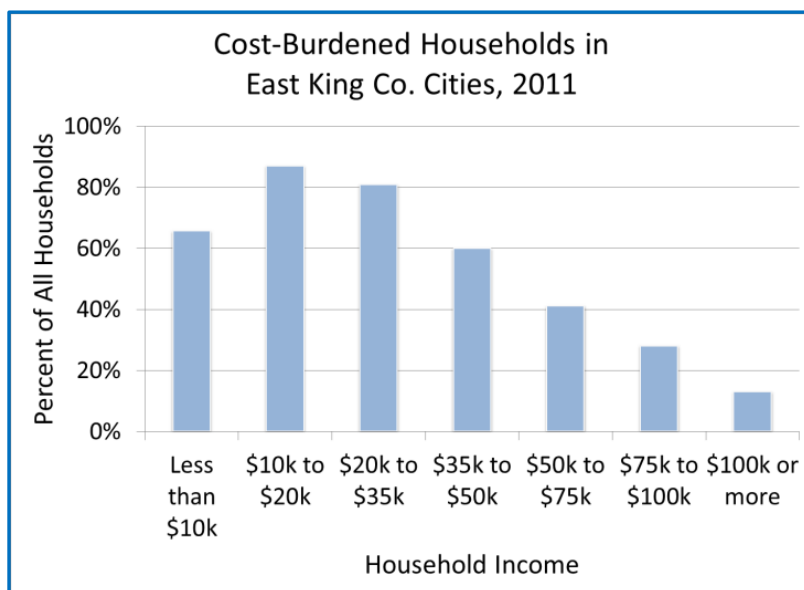
## AFFORDABLE HOUSING: AS IT RELATES TO FAMILY STABILITY

Affordable housing allows people to live close to work, to have more time to be with their families, to engage in the community and to pay for other basic needs.



- Historically, costs of rental and ownership housing have been higher in East King County (EKC) than countywide.
- 14% of rental housing in EKC is affordable to very low and low income households, compared to 32% countywide.
- Ownership prices which dropped significantly during the recession have essentially returned to pre-recession levels.
- Increases in EKC rents the last few years have outpaced increases in income. The result is average rents in EKC affordable at ~80% median income, are at historically high levels relative to median income.

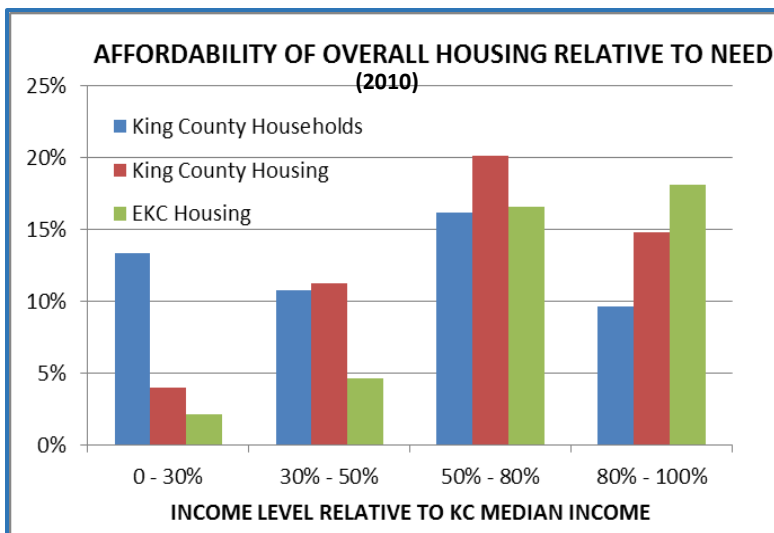
- Children lose stability when their parents cannot afford housing and must move frequently, hampering their own growth, and causing local schools to address district-wide issues caused by high student mobility.
- Affordable housing allows working people to afford housing and still have enough money for the basics like groceries, gas and child care. Cost burdened households struggle to meet other daily living expenses such as food and medical costs, leading to an unstable lifestyle.



- 75% of lower income households are cost burdened (>30% of income spent on housing) compared to less than 10% for higher income households.
- A higher proportion of young households and senior households are cost burdened.
- About ½ of cost burdened renter households and 1/3 of cost burdened owner households are severely cost burdened (>50% of income spent on housing).

## AFFORDABLE HOUSING: AS IT RELATES TO ECONOMIC STABILITY

There are a wide range of local jobs with pay ranges in the low and moderate income level. This is illustrated by the range of jobs held by residents of local affordable housing throughout East King County. Planned growth anticipates this trend continuing into the future.



- Businesses and schools can have trouble recruiting and retaining qualified workers, as employees are less likely to stay in a job if they cannot afford to live nearby.
- Traffic congestion worsens when people must commute long distances to work, lowering business competitiveness, worsening air pollution, lengthening commute times, increasing employee absenteeism, and diminishing the overall quality of life.
- Regions with strong economic growth have a relatively good balance of housing affordability.

### **SAMPLE EMPLOYMENT ISSAQUAH FAMILY VILLAGE (Rent Levels: 30% - 60% Median Income)**

Employment Field Sample employers	Number employed in field
<b>Medical</b> Swedish Hospital, Aegis Senior Living, Pediatrics Associates, VCA animal hospital	<b>9</b>
<b>Education / Child Support</b> Issaquah SD, University of Washington, Eastside Academy, Childcare/nanny, Bellevue College	<b>14</b>
<b>Retail/Restaurant</b> Fred Meyers, Costco, Ben & Jerry's, Ridge Supermarket, Starbucks, Walgreens, XXX Restaurant	<b>39</b>
<b>Office / Financial / Administrative</b> Wells Fargo Bank, Raidan Auto Group, Pacific Legal Services	<b>11</b>

### **From the 2012 Issaquah Business Community Survey Findings Report**

- When asked what would help recruit and retain employees, 62% of businesses stated more affordable or workforce housing would be helpful.
- Some firms linked employee attrition and recruitment difficulties to employees having long commutes.
- Issaquah employers rank housing affordability as the number one issue to recruit and retain employees.

## Issaquah's Affordable Housing Report Card

Issaquah recently adopted the county's affordable housing targets regarding our share of very-low-, low- and moderate-income housing. Specifically, Issaquah's targets are:

Very Low-Income: 30% AMI: 12% of total housing supply  
 Low-Income: 31% – 50% AMI: 12% of total housing supply  
 Moderate-Income: 51% – 80% AMI: 16% of total housing supply

"AMI" = (King County) Area Median Income.

Issaquah's total housing stock (with 14,915 total units) is affordable at approximately the following levels:

Very Low-Income: 30% AMI: 3% of total housing supply  
 Low-Income: 31% – 50% AMI: 3% of total housing supply  
 Moderate-Income: 51% – 80% AMI: 15% of total housing supply

These percentages include market-rate units as well as developments which, by funding or land use covenants, have agreed to maintain a certain number of units affordable for given household incomes, and include the following:

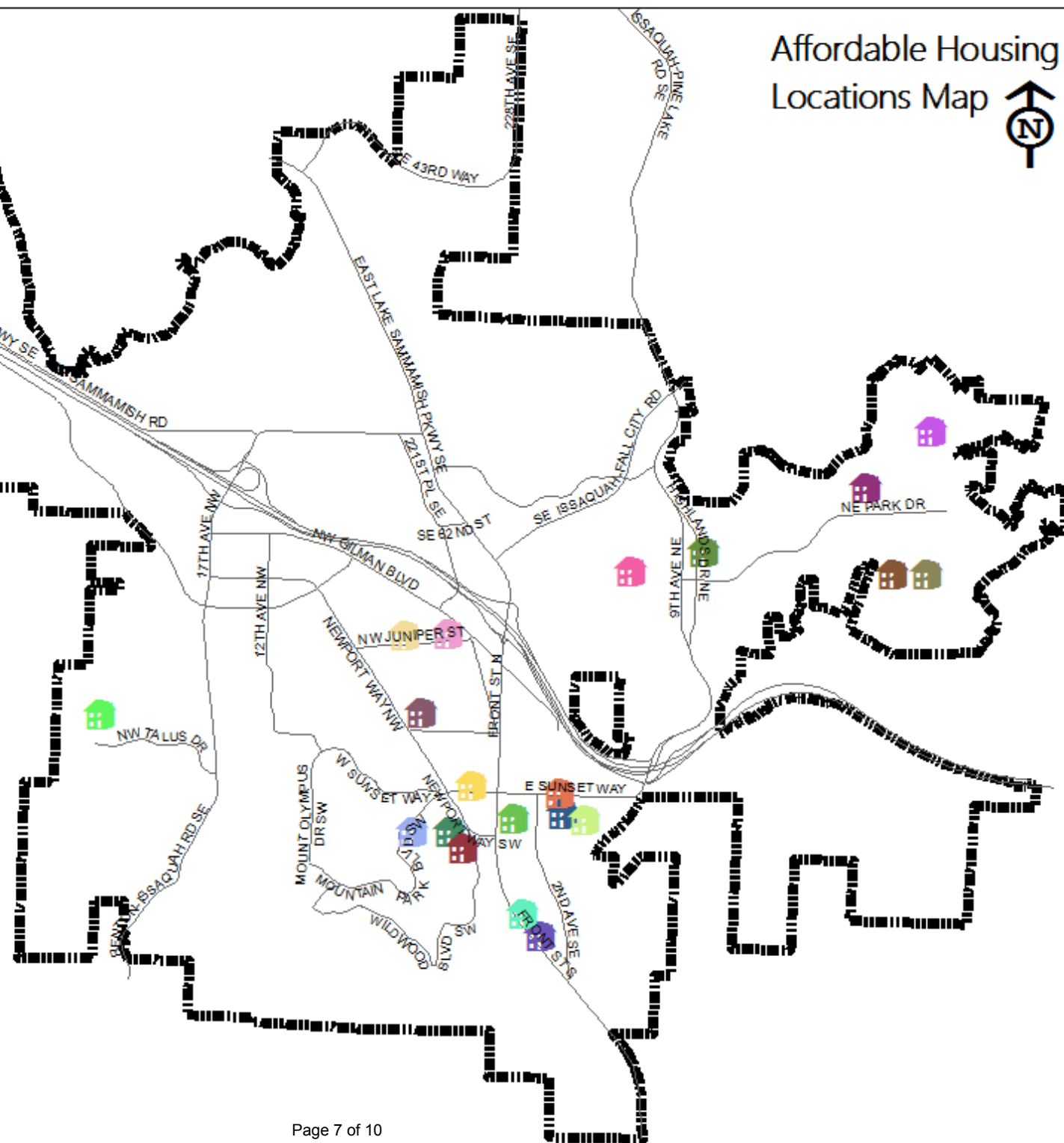
Project Name	Very Low <30%	Low 30%-50%	Moderate 51%-80%
Andrew's Arms	0	14	0
Clark Street	0	26	3
Copper Leaf	0	0	5
Discovery Heights	0	0	51
EASTRIDGE HOUSE	39	0	0
Enclave	0	0	50
Gilman Square	0	0	62
Habitat Issaquah Highlands	0	10	0
Habitat Front Street	0	2	0
HUTCHINSON HOUSE	90	0	0
Inland Empire 520 Bush	4	0	0
Issaquah Gardens	21	0	0
Juniper Wood	0	20	0
Lauren Heights (Issaquah Highlands)	20	20	5
LEO House	0	0	5
Mine Hill	0	23	5
Monti and Pritt houses (Compassion House)	0	4	0
Outlook	0	0	40
Residence East	8	0	0
Rose Crest (Talus)	25	15	10
YWCA Family Village Issaquah Phase I	39	50	8
YWCA Family Village Issaquah Phase II	0	36	11
ADUs*			39
<b>TOTAL</b>	<b>246</b>	<b>220</b>	<b>294</b>

\*ADUs are market-rate units; i.e., they do *not* have restrictive covenants for affordability, but are included here as a land use program. Evidence suggests they typically at or below 80% AMI.

# Affordable Housing Locations Map



-  Andrew's Arms
-  Clark Street
-  Compassion House
-  Copper Leaf
-  Discovery Heights
-  Eastridge House
-  Enclave
-  Gilman Square
-  Habitat Front Street
-  Habitat Issaquah Highlands
-  Hutchinson House
-  Inland Empire 520 Bush
-  Issaquah Gardens
-  Juniper Wood
-  LEO House
-  Lauren Heights
-  Mine Hill Apartments
-  Outlook
-  Residence East
-  Rose Crest
-  YWCA Family Village I and II





## **Council Assignment: The Affordable Housing Vision**

A vision cannot be achieved without the whole-hearted commitment of those who are intended to promote that vision. Therefore, we are asking the each councilmember to formulate his or her own vision of what affordable housing in Issaquah should look like. Factors that should be considered include:

- What is the most pressing issue you see related to affordable housing / housing affordability?
- What would be the change/outcome you would like to see?
- Is there some specific strategy/response that would help achieve your vision?
- Why is addressing this issue important to the broader community? How would the broader community benefit from realization of your vision or specific idea?

Councilmembers will be asked to briefly share their visions at the July 13<sup>th</sup> Council meeting.





July 6, 2015

Issaquah City Council  
City of Issaquah  
PO Box 1307  
Issaquah, WA 98027

Dear Council Members,

Wagner Management Corporation ("WMC") has been developing and managing multifamily residential properties in Issaquah and nearby communities for 30 years. We are a local family-owned company and take great pride in the homes we have created for residents in King County across many income levels.

As we've shared with City staff, WMC is making plans to develop 77 units of mixed-income housing at 275 First Place NW, in downtown Issaquah directly behind the Village Theater. Our proposed project is aimed at helping to resolve the affordable housing deficit by creating primarily studio apartments with the lowest market rates for a new development in the City. One benefit to the large number of smaller apartments is that even the market-rate units are naturally more affordable to singles, work force and seniors, who very often live on limited incomes.

However, we are unable to move forward our plans without some form of cost reduction. Like many developers, we have been challenged by very high, and increasing development and construction costs. Smaller unit sizes also incur higher per square foot construction costs relative to larger unit sizes.

To improve this affordable housing model and already positive impact, WMC would like to propose to the City Council that we offer lower rent levels for 15 apartments, or 20% of the total, as affordable to low-income residents earning 50% to 80% of the area median income ("AMI"). With several scenarios available, one is to offer 15 units with a monthly rent of approximately \$675, making these units affordable to a household at 50% of median income. We would then apply to the Washington State Housing Financing commission for an allocation of Low Income Housing Tax Credits ("LIHTC"). If we are able to count on the savings afforded by a Multi-Family Tax Exemption ("MFTE") program, such as prescribed in Seattle for example, we could leverage these public subsidies to enable us to deliver more deeply affordable units to the market.

Accordingly, one key factor that will impact our decision to move forward with our proposed project will be the availability of the MFTE program. It is our understanding that the City Council has previously considered the MFTE program as one method to increase the supply of affordable housing within the City, while limiting the fiscal impact to the City to the first 12 years following project completion. We also understand that our project's downtown location lies just outside the Central Issaquah Plan for

which this Council has considered the MTFE. Nevertheless, our project is situated to reduce the need for travel by car - it is highly walkable, and has good proximity to public transit and local services. This is exactly the type of urban infill development that we believe this Council should support. For this reason, we believe the City Council should expand its discussions of the MTFE program to cover all core areas of Issaquah, including downtown.

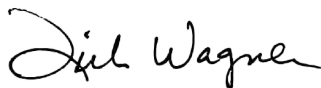
In addition, the density of our project, with 68 studio apartments, results in a relatively high mitigation fee assessed by the City, since fees are calculated on a per-unit basis. Even with MTFE and LIHTC, the project is not economically viable. We request that the City Council consider a significant reduction of the mitigation fees that would take our high unit density, AMI affordability concessions, and other cost factors of our proposed project into account.

Finally, we ask the City Council to consider a reduction in the parking requirement as currently assessed. In our direct experience here in Issaquah, the required level of parking spaces for smaller residential units is higher than many of our tenants require, and we have seen many of these mandated parking spaces go vacant most of time. Accordingly, the parking requirement as currently designed is a very expensive feature with a relatively low benefit. For the 77-unit project, we request a reduction to 0.9 parking spaces per unit that includes the 63 spaces in the two above-ground levels of the building, plus six street parking spaces as shown in the design concept.

As Council members know, while there have been affordable units developed within the City, the need for affordable housing continues to exceed the available supply, particularly as subsidies available from State of Washington programs have experienced sharp declines. Put simply, the impact of high development costs, averaging \$186,000 per unit at our project, will not enable us to move forward without some significant cost relief during the development phase and in the early years of our project.

We strongly urge the Issaquah City Council to enact the MTFE legislation, to consider offering a reduction of the total mitigation fees on buildings with high residential density and affordability concessions, and to consider a reduction in the parking requirement. This modest but impactful public support to our project and others like it will ensure equitable city growth and that people of lower incomes can continue to enjoy life here in Issaquah.

Sincerely,



Richard Wagner  
Managing Partner, Wagner Asset Group, LLC

cc: David Favour, City of Issaquah  
Arthur Sullivan, ARCH – a Regional Coalition for Housing